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## Indonesia

### Exporter Guide

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**Report Highlights:**

This serves as a practical guide for U.S. food exporters in the Indonesian market. US exports of consumer-oriented products to Indonesia increased from \$78.9 million in 2001 to \$169.5 million in 2005. Prospects for further economic growth, the rapid expansion of the modern supermarket and the food service sectors as well as the food processor industry are expected to continue to boost demand for imported products.

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## SECTION I. MARKET OVERVIEW

### Economic Trends and Outlook

The Indonesian economy grew 5.6 percent in 2005. Growth is expected to be 5.8 percent in 2006, and 6.3 percent in 2007. The Indonesian economy must overcome numerous challenges before achieving a sustainable foundation for long-term growth. Indonesia still faces a lot of difficulties in its effort to boost its economic growth. The most serious challenges include a weak banking sector, large public and private sector debt, widespread corruption, lack of an efficient and transparent legal system, and competition from other labor-intensive economies in Asia, especially China and Vietnam. The soaring price of fuel in March and October 2005 as well as the increase of industry fuel prices in June 2006 also impacted to the economic situation.

The Government of Indonesia (GOI) plans to create and improve the investment climate in order to encourage further economic acceleration. In February 2006, the President issued instructions to the Ministries to develop regulations divided into five areas, general improvement of the investment climate, customs and excise, taxation, labor, small and medium-enterprises and cooperatives, during 2006-2008. However, further economic growth is hampered by a weak infrastructure, especially a lack reliable of electrical service.

Significant growth potential exists for U.S. food ingredients. Indonesia will follow the economic model of shifting towards increased consumption of processed foods as the economy develops and the population becomes more urban. Currently, Indonesians spent about 54 percent of their total expenditures on food. However, due to the large number of Indonesians with exposure to developed country diet and health concerns foods, there are a growing number of more sophisticated consumers demanding foods fortified with vitamins and minerals.

U.S. agricultural exports to Indonesia exceeded \$1 billion in 2003 and again in 2005. The fiscal year 2006 data showed that Indonesia is the tenth-largest export market for U.S. agricultural, fish and forestry products in 2006. The fastest growing segment is consumer oriented agricultural products.

### Market Opportunities

- Indonesia's population (222 million in 2006) is relatively young with half of the population between 15-44 years old. Nearly 58 percent of the population lives on Java and accounts for 60-65 percent of the sales of fast moving consumer goods. Java also has the best infrastructure although urban areas in Sumatera, Bali, and Sulawesi are also developing.
- It is currently estimated that the upper and middle-income groups combine to represent 15 percent of the population, or equal to about 33 million people. Most of these people live in the major urban areas. This population, together with a number of expatriates and families working in oil, mining, industrial, finance, and consultant companies, consume imported products.

**Table 1. Population number in major urban areas**

City	Island	Population (million)
Jakarta & surrounding	Java	12.5
Surabaya	Java	3
Yogyakarta & surrounding	Java	1.8
Bandung	Java	2
Semarang	Java	1.3
Medan	Sumatera	2.1
Palembang	Sumatera	1.5
Makassar	Sulawesi	1.5
Manado	Sulawesi	1
Bali	Bali	1.6
Balikpapan and Samarinda	Kalimantan	1

- The population has become increasingly more literate and Westernized during the past decade due to the increase in Indonesians who studied and traveled overseas; easier access to international TV; expansion of modern malls in major urban areas; and dramatic growth of major international hotel and restaurant chains (including fast food), and foreign tourist arrivals (5 million in 2005).
- Demand for imported ingredients is growing. Food manufacturers are continually developing new products to cater to the increasing habit of snacking, which is a part of Indonesian culture and promoted in the media.
- The Indonesian consumer is very price conscious and susceptible to economic swings, particularly the middle and lower level income groups. Customers tend to prefer purchasing imports in smaller, less expensive packaging.
- More urban women are entering the workforce and choosing to stay there after marriage and children. With less time available for shopping and cooking, more urban women are basing purchasing decisions on convenience.
- The number of kitchen appliances throughout the country is relatively low. On average, 19 percent of households have a refrigerator (33.7 percent of urban households and 8.1 percent of rural households).
- During holiday seasons consumer spending increases. The most important holiday seasons are Ramadan (the month-long Muslim fasting period in which food consumption goes up significantly), Lebaran or Idul Fitri (Muslim celebration of the end of Ramadan), and Chinese New Year. Indonesians consume significantly greater amounts of flour, sugar, eggs, baking ingredients, poultry, meat, cheese, cakes, cookies, pastries, and fresh and dried fruits during these holidays.
- Even though Christmas is celebrated by less than 10 percent of the population, stores take advantage of the season and decorate and promote festive foods such as special fruits, sweets and pastries. Other western celebrations such as Valentine's Day, U.S. Independence Day, and Halloween have also become trendy among upper-scale restaurants in Indonesia.

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN INDONESIA	
Advantages	Challenges
Market size - Indonesia has a population of around 222 million people.	Weak purchasing power of the majority of the population.
A large expatriate population of 17,000 in Indonesia buys imported goods.	Muslims, who account for 88% of the population, require halal-certified products.
Applied duties on most food and agricultural products are 5 percent and 10 % on certain processed foods during 2006 to 2009.	Import regulations are often complex and non-transparent, thus requiring close business relationships with a local agent.
The distribution system on the island of Java is improving, providing increased access to a population of 129 million.	Infrastructure outside of the main island of Java, including ports and cold storages facilities, is poorly developed.
U.S. food products have a reputation for quality.	Third-country competition remains strong, especially from Australia, New Zealand, and China. Food product imports from Malaysia, Philippines, and Thailand are also growing.
The food processing industry is constantly creating new products using ingredients that are in limited supply or unavailable in Indonesia.	The availability of import financing remains a problem due to complex requirements from cautious banks.
Distribution and availability of imported products is expanding due to the rapid growth of the modern supermarket sector, western restaurant chains, and bakeries, as well as a well-developed tourism industry with many hotel chains and restaurants.	Consumers tend to require smaller package sizes and importers tend to require smaller shipment sizes, making it difficult for some companies to ship to Indonesia, unless products are transshipped through another Asian port or a consolidator is used.
There is a large number of multinational companies, who provide imported products through their commissary services for their expatriate staff.	Multinational companies with commissaries tend to be in remote areas where transportation and lack of infrastructure presents barriers to cost-efficient distribution of imported food products.

## SECTION II. EXPORTER BUSINESS TIPS

### Business Customs

- It is strongly suggested that a local agent be used for products packaged for retail sale. Agents will register imported products in order to obtain an import registration (ML) number. Since only an importer may obtain a ML number for each product, choosing a local agent is a very important decision. Other considerations for agents are discussed in the Entry Strategy sections, but principles to keep in mind when choosing a local agent are:
  - Conduct careful, detailed research in order to confirm claims. Prospective representatives who claim connections to important people should be treated with extreme caution. Such connections are not necessary - commercial acumen is of greater value in the market.

- Do not grant exclusive rights to a local representative until after working with them in order to gain a clear understanding of their capabilities.
  - Pay attention to accounting standards applied in the preparation of reports supporting the financial standing of a potential representative or partner.
- Most importers also act as distributors and exclusive agents and have offices in major cities all over Indonesia.
- Support your importer, distributor, and agent by maintaining product quality. Educate them, the retailer, and the consumer about your product. Exporters should not assume that Indonesian companies know how to promote, handle, and prepare imported products. Food processors often require assistance developing products using imported food ingredients.
- Market research, especially for product testing, price comparison, and adjusting the product for local tastes is important. Importers, distributors, and retailers can help with market research as well as understanding government regulations, which is critical.
- While quality and price are important, they are secondary to the personal interaction with business partners. Face-to-face meetings are very important to Indonesians, though younger importers are more comfortable with establishing their relationships via electronic communication. Exporters usually must visit Indonesia 2-3 times before details are finalized.
- One place to start if considering exporting to Indonesia is Singapore. Shipments to Indonesia and Singapore can be combined and first sent to Singapore. The Indonesian market tends to require smaller shipment sizes than may be cost-effective to send to Asia and shipping times from Singapore are short. Singaporean agents, importers, distributors, and retailers are sophisticated and understand the Indonesian market well.
- Product should be packed and shipped for a tropical climate and have clear storage instructions. Few cold storage or air-conditioned facilities and delivery trucks exist. Sometimes stores turn off cold storage facilities at night to conserve energy.

### **General Consumer Tastes and Preferences**

- Lunch and dinner usually consists of rice with two or three meats or fish along with vegetable dishes prepared according to various ethnic styles. There is a general tendency to consume a large portion of fresh produce, often bought on the day of consumption. Religious affiliation affects food consumption. Most Muslims do not eat pork, and only eat beef and poultry products that have been certified halal.
- Indonesian consumers are attracted to branded products, though they are not brand loyal. Indonesians easily change from one brand to another if the product is promoted and competitively priced. Since the average Indonesian spends half of their income on food, they tend to be price sensitive. As a result, imitation brands are common.

### **Food Standards and Regulation (FAIRS Report ID6020) & Export Certificate FAIRS Report (ID6025)**

- According to Indonesian regulations, imported products packaged for retail sale must be registered with the National Agency for Drug and Food Control to obtain a ML number. The registration process can be lengthy, bureaucratic, and costly, so it is best to use a local agent.
- Food labeling is required. The government is currently in the process of implementing new food labeling guidelines. Halal certification and labeling is not required at this time

but these guidelines are also under review. Given that more than 88 percent of the population professes the Islamic faith, it is highly recommended that a halal certification be obtained. The U.S. Islamic Center approved by Indonesian Muslim Council (MUI) must issue halal certificates.

- All beef and poultry products must be certified halal and the products must originate from slaughterhouses, which have been inspected and approved by Indonesian veterinary (DG Livestock) and religious authorities (MUI). Also, each imported meat shipment requires prior approval by the Ministry of Agriculture. U.S. beef is still banned due to BSE. The Indonesian government does not permit import of U.S. poultry parts.

### General Import and Inspection Procedures

- Since April 1977, the Customs Directorate of the Ministry of Finance has operated a post-entry audit system, which relies primarily on verification and auditing rather than inspection to monitor compliance. Problems occur regarding the customs procedures and valuation made by the Indonesian Customs and the irregular and non-transparent fees required getting shipments released.
- Indonesia's bound tariff rates on major food and agricultural items generally range from 5 to 40 percent. In December 2005, GOI issued its second-phase program for harmonizing tariffs of import duty in 2005-2010. The import duties for several processed food products increased to 10 and 15 percent. The major exception is that the duty applied to all imported alcoholic beverages decreased to 150 percent.
- The government levies a 10 percent value-added tax on the sale of all domestic and imported goods. A luxury tax ranging from 10 percent to 75 percent is also levied on certain products. For imports, these taxes are collected at the point of import and are calculated based on the landed value of the product, including import duties. Sales tax is 2.5 percent and excise for alcoholic beverage & alcoholic concentrate ranges between Rp. 2,500-50,000/liter, depending on the percentage of ethyl alcohol content.

## SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

### A. Retail Sector

#### Market Overview

Modern retail outlets in urban areas with refrigeration and storage facilities provide good prospects for imported U.S. food products. In major urban areas throughout Indonesia traditional markets are being replaced by modern hypermarkets, supermarkets, and mini markets. At present, many large retailers are engaged in major expansion projects including foreign retail giants such as Carrefour, Giant, Makro, and Lion Superindo (Delhaize group), who compete with national and local retail chains.

**Table 2. Number of Modern Retail Outlets (rounded)**

Description	2003	2004	2005
Supermarket	900	1,000	1,140
Hypermarket	40	70	80
Wholesale	20	20	20
Mini market	4,040	5,600	6,270
Convenience store	100	150	130
Traditional store	1,745,590	1,745,590	1,874,470

Source: AC Nielsen

Traditional markets, modest kiosks, and street vendors are still entrenched, even in major urban areas. These usually sell traditional products made in homes. Most are made from local products, though soybeans, for tempe and tofu; and beef offal, for bakso meatballs, are usually imported. Small-scale vendors also account for eighty percent of soft drink product sales.

**Table 3. Market Share of Modern Retail and Wet Market (%)**

Year	Modern Outlets	Wet Market
2000	21.8	78.1
2001	24.8	75.2
2002	25.1	74.8
2003	26.3	73.7
2004	30.4	69.6
2005	32.4	67.6
2006 (est.)	34.0	66.0

Source: AC Nielsen

**Table 4. Sales of soft drink products by small-scale vendors in 2005**

Products	Volume (million liter)	Value (Billion Rp.)	Volume growth (%)	
			2004/2005	Annual 2005-2010 (est.)
Bottled Water	10,130	8,580	11.0	5.7
Asian specialty drinks	820	4,550	6.4	7.1
Ready to drink teas	770	4,180	6.0	7.0
Carbonates	610	3,850	2.8	3.4
Sports drinks	140	2,110	24.2	17.5
Concentrate	60	3,270	5.0	3.5
Fruit-flavored drinks (no juice content)	40	110	20.0	16.1
Fruit and vegetable juices	30	300	14.9	12.9

Source: Euromonitor

Most supermarkets, hypermarkets, and wholesalers buy their imported fresh fruit, meat, and other processed food from distributors or agents. Some import perishable products, which can be imported by multiple agents directly from foreign suppliers. This trend is expected to expand in the near future. For some national chain outlets, it is easier to purchase some items locally rather than have products purchased and shipped from headquarters in Jakarta. Private label in the form of repacking bulk products such as flour, sugar, rice, mungbean, peanuts and egg, can be found in foreign and national chain outlets.

Retail growth for packaged foods in 2005 ranged from 3-20 percent in volume terms compared to 2004 and is expected to range from 0.5 –18 percent each year during 2005 to 2010. Meal replacement products, including pasta, baby food, and frozen, dried, chilled, and processed food will grow above 10 percent.

**Table 5: Retail & Food Service Sales of Package Food in 2005 (Values in Trillion Rp)**

Product	Food Service	Retail	
	Volume	Volume	Value
Dried processed food (000 ton)	1,700	4,700	24,800
Bakery products (000 ton)	600	800	13,400
Dairy products (000 ton)	200	600	12,700
Noodles (000 ton)	200	1,000	10,400
Confectionery (000 ton)	6	160	8,800
Sweet and savory snacks (000 ton)	66	240	5,900
Oils and fats (000 ton)	600	500	5,400
Baby food (000 ton)	0	70	4,600
Sauces, dressings and condiments (000 ton)	200	230	3,500
Ice cream (000 liter)	38,600	73,500	1,800
Frozen processed food (000 ton)	4	32	1,600
Canned & preserved food (000 ton)	3	40	1,200
Others (Meal replacement products, ready meals, soup, pasta, chilled processed food, spreads) (000 ton)	6	23	1,100

Source: Euromonitor

### Future Trends

In the near future, recently developed patterns of consumer behavior are expected to continue such as a preference for shopping at the supermarket and modern outlets due to comfortable shopping space, a complete range of goods, consistent quality of products, competitive price, good service, and easy accessibility. Consumers are adjusting to paying higher prices for imported and local food products. However since most spend a significant portion of their income on food, the average Indonesian consumer is not a significant buyer of imported products due to their low purchasing power relative to the cost of imported items. They will remain very selective in their product purchases. They will be looking for branded products they see advertised at prices they can afford. There is growing interest in the nutritional aspects of food products. Women working outside of their home and exposed to international foods will be interested in ready-to-cook and ready-to-eat foods.

### Entry Strategy

The volume of specific imported products is relatively small when compared to the size of the country. The best way to overcome the hurdles associated with exporting to Indonesia is to select an agent. An agent should be chosen based on his ability to assure the widest distribution of products and the ability to undertake the marketing efforts necessary to create awareness for products among consumers. The agent will also be responsible for obtaining a ML number.

Depending on the product and intended market, appointing a supermarket as agent and exclusive distributor is best, particularly for gourmet and specialty upscale products not likely to generate sufficient volume. Nevertheless before the decision is made, initial sales efforts to Indonesia should include visits with potential agents as well as with key retailers to determine the best local partners.

## Best Market Prospects

Best market prospects for U.S. suppliers include fresh fruit, beef offal, frozen french fries, frozen vegetables, snack foods (confectionery, potato chips, popcorn), canned foods, sauces and seasonings, and salad dressings. Niche markets exist for frozen meat and poultry, delicatessen items, cooking and salad oils, breakfast cereals, pasta, tomato paste, and non-alcoholic beverages.

## B. HRI Food Service Sector

### Market Overview

Indonesia's HRI sector is extremely diverse, consisting of hotels and restaurants that serve local and international cuisine, fast food outlets, clubs, small restaurants, street stalls known as warungs, and hawkers that sell food to customers on the street. Catering operations serve airlines, factories, private social functions, cruise and military ships, mining and oil operations, prisons, and hospitals. The sector is concentrated in the urban areas, with Jakarta having the highest number of food service outlets, followed by Surabaya, Bandung, Bali, Medan, and Makassar.

In the HRI sector, four and five-star hotels catering to the tourist industry and up-scale restaurants specializing in Western and other non-Indonesian foods are the dominant users of imported food products. Local caterers and restaurants tend to purchase local products.

The number of foreign tourists remains stable. Bali remains the most visited tourist destination in Indonesia. Singapore, Japan, Malaysia, Australia, Taiwan, and South Korea account for the highest tourist arrivals by nationality during 2000-2005

**Table 6. Indonesian Tourism Indicators** (from foreign and domestic destinations)

Description	Year				
	2001	2002	2003	2004	2005
No. of tourists (foreign destination only) (mil)	5.2	5.0	4.5	5.3	5.0
Revenue (US \$mil)	5,396	4,306	4,037	4,798	4,522
Length of stay (days)	10.5	9.8	9.7	9.5	9.0
Occupancy Rate (%)	45	44	45	45	46
Number of hotel rooms	260,000	260,000	263,000	273,000	280,000

Source: Central Bureau of Statistic-Indonesia

The expansion of franchise restaurants such as fast food, casual dining café's, international and family style restaurants, and food courts is expected to increase demand for imported food products. International franchise outlets have a relatively strong presence; local restaurant and bakery franchise outlets are also rapidly increasing. The number of restaurants has increased in conjunction with the proliferation of new shopping malls and office buildings in recent years. Western style fast food outlets purchase imported food, but the variety is limited to such items as frozen french fries, mozzarella cheese, and condiments. Restaurants serving noodles, Japanese food, pizza, fried chicken, and bakery products outlets and coffee are prominent, and tend to use imported frozen potato products, dressings, sauces, whipping cream, bakery products, and a variety of coffee ingredients, such as creamer, honey, and flavorings. Most Korean restaurants in Jakarta prefer to serve U.S. beef. Local restaurants offering traditional food use beef offal.

Caterers are mainly small to medium-sized private enterprises that serve factories, mining and oil operations, offices, schools, hospitals, company events, private social functions, and weddings. Imported products used by caterers tend to be beef offal, fresh fruit, vegetables, dressings, and bakery ingredients.

Away-from-home eating is becoming a common activity across all levels of income. About 28 percent of the population eats at fast food restaurants at least once a week. In addition to more eating lunch out while at work, the change to a more westernized life style and increased income levels has contributed to more Indonesians dining out with peers in standard Western food service outlets and visiting shopping malls for recreation during the weekend. Eating out as a family every weekend is done by a smaller number, but is becoming increasingly popular.

### **Future Trends**

Travel warnings from several foreign countries for security reasons have not severely impacted the number of individual tourist arrivals, meetings, conferences, or exhibitions. Though the number of foreign tourists should increase, the customer base for most of the HRI trade is expected to shift to a higher percentage of Indonesian customers due to domestic airfare prices becoming more competitive in the past three years. This has led many in the HRI sector to focus more on Indonesian customers, who tend to be more price conscious. In 2006 tourist arrivals are expected to reach 6.6 million.

### **Entry Strategy**

The need for a local agent applies when selling to the HRI trade in Indonesia. A reputable importer or distributor can represent imported products and obtain the import licenses and have knowledge of customs clearance procedures required to successfully bring in products.

Jakarta and Bali remain the ideal locations to target. These cities have a large number of five star hotels and up-scale restaurants that purchase imports to cater to a sizeable expatriate community and a large numbers of foreign visitors.

### **Best Market Prospects**

Best market prospects for U.S. suppliers include duck, and turkey, seafood, french fries, bakery ingredients, sauces and seasonings, oil and vinegars, cereals, canned seafood, canned food, fresh fruits, soft drinks, juices, tree nuts, ice cream, snacks, beer, reasonably-priced wines, liquor, and beef, beef liver, heart, and prime rib.

## **C. Food Processing Sector**

### **Market Overview**

Indonesia offers significant market potential for U.S. suppliers of food and agricultural ingredients for the local food-processing sector. Indonesian's food and beverage processing industry is comprised of about 4,700 businesses and over 900,000 home-based producers that sell in traditional warungs or as street vendors. Large-scale food processors use halal-approved production methods and have certificates approved by MUI.

The growth of the food-processing sector can be attributed to the introduction of new food products, aggressive promotional activities, growth of modern retail outlets, customer sophistication, and growing health consciousness. In the future, more consumers are expected to make purchasing decisions based on health and wellness concerns and mostly in

the form of fortified foods. Currently, noodle and dairy products account for 91 percent of health and wellness packaged foods. However, sales of sports drinks are also expected to grow. The variety offered in packaged foods has also increased in the last few years. This includes frozen poultry and seafood products, sugar confectionery, instant noodles, savory snacks, dairy drinks, and soft drinks. Fruit-flavored water drinks are popular because the price is only a little more than bottled water.

Soybean based products, such as tofu, tempe, and soy milk as a multi-functional health drink packed in a transparent plastic bag, are produced in homes and sold in the traditional warungs, by street food vendors, or door to door. Beef heart is also popular among these sectors for use in making meatballs to be sold also by traditional warungs and by street food vendors.

### **Entry Strategy**

Primary imports for food processing such as, frozen beef offal, wheat, and skim milk powder are most commonly imported directly by the food processor. Essential complementary inputs such as flavorings or preservatives are usually bought from a local importing agent because they are used in smaller quantities and often have limited shelf life.

Food processors who depend on a consistent supply of a product may have an exclusive sales agreement with a local agent. Some companies may choose to act as importers if they find a better-priced alternative such as an exporter who uses Singapore as a distribution point.

Many multinational food processors operating in Indonesia must follow global product specifications. These companies have central purchasing offices, often in the United States or in Europe.

### **Investment Trends**

The AFTA (ASEAN Free Trade Agreement) zone, which gives favored treatment to regional production, will create further competition from ASEAN members, but may offer some opportunities for U.S. suppliers as well. AFTA will make it easier for food processors based in one ASEAN country with good supporting investment facilities to distribute its products to neighboring countries. U.S. food ingredients suppliers should be able to ship food ingredient products in larger volumes to Asia and then transship to other countries that require smaller quantities, such as Indonesia.

The challenges Indonesian manufacturers continue to face are high electricity and fuel prices, increasing labor costs, lack of infrastructure, and cheaper finished products from neighboring ASEAN countries and China.

A new trend among Indonesian package food and candy manufacturers is to contract manufacturing out to processors on mainland China to avoid high production and raw material costs, such as labor and sugar.

### **Consumption Trends**

The majority of consumers are price conscious. Out of the 54 percent of income spent on food, only 11 percent is spent on processed food and beverages, though this represents about US \$8.7 billion annually. To address consumer price concerns, producers are providing smaller package sizes, no-frill products, and taking cost-cutting measures.

## Best Market Prospects

Best market prospects include food-use soybeans, beef, dairy products, flavorings, processed poultry products, processed potato products, fruit concentrates, bakery ingredients, and wheat flour-based food products as an alternative to rice for use in processing noodle and baked goods.

## D. Distribution System

The distribution system is complex due to the widespread and diverse nature of the country with its thousands of islands. In many cases, the infrastructure is insufficient to handle refrigerated products, especially outside of the cities and the island of Java. There are only a few national distributors who service the whole country. Most agents and distributors have a local reach, so there are hundreds of wholesalers and millions of retailers.

Inadequate ports is the single largest and most consistent complaint in every province among all levels of the distribution system. Ports have shallow drafts, which require smaller ships, inadequate loading and unloading facilities resulting in frequent congestion, unreliable shipping schedules, and an inadequate number of smaller ships serving eastern Indonesia, particularly during periods of bad weather. As a result, there are frequent shortages and firms hold higher than desired inventories, with the accompanying higher costs.

Imported products that enter the Indonesian market often move to a distributor or agent, who in turn, sells them directly to modern retail outlets. Delivery of the products may be directly to the stores or to the warehousing facilities of the retailer. Only a few retailers buy directly from foreign suppliers and assume responsibility for logistical functions. Major food processors tend to import directly while smaller operations tend to buy through local agents.

The trade in fresh fruit differs from that of other consumer-ready food products. Fresh fruit imports are dominated by trading houses that specialize in fruit. For example, it is not unusual for one importer to carry such items as meat, poultry, french fries, and confectionary ingredients and deliver them directly to the retailer. On the other hand, fresh fruit will change hands several times before reaching the consumer, usually at the wet market or curbside fruit stands.

The poor distribution system makes it difficult for restaurants and retailers to get a consistent supply of quality food products. Sometimes distributors sell outdated products that were purchased inexpensively or a frozen product that was not stored correctly and later refrozen. In addition, restaurants and retailers must deal with a large number of distributors since most of the distributors carry only a handful of products or carry a limited supply.

**SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS**

Best market prospects for imported product, as identified by the FAS Jakarta based Global Trade Data report is as follows:

<b>Product Category</b>	<b>2005 Import (\$mil)</b>	<b>2005 Import from US (\$mil)</b>	<b>2-Yr. Avg Annual Import Growth</b>	<b>Import Tariff Rates</b>	<b>Key Constraints to Market Development</b>	<b>Market Attractiveness for USA</b>
Dairy Products excl cheese	536	61 (Mainly Non fat dry milk, Lactose, whey)	39%	5% except Yogurt & SCM - 10% during 2006-2009	Competition from Australia and New Zealand	Demand for dairy processor and food & beverage industries are increasing
Fresh fruit	212	38 (Mainly Apples & Grapes)	8%	5% except mandarin 25%	Competition from China and Australia, recent regulations inhibit US imports	Health awareness pushes the demand of the quality fresh products
Other consumer oriented food products	328	30 (Mainly food prep, canned food, coffee, and gelatin)	33%	5%	Competition from China, Netherlands, Malaysia, and Thailand	Food service and food processors need more and consistent supply products due to growth
Red meats fresh, chilled, frozen	77	11 (Mainly Boneless beef, liver, heart, frozen)	34%	5%	Competition from Australia and New Zealand, ban of US beef due to BSE	Prime beef for high-end restaurants and offal for lower to mid-class food service industry
Processed fruit & Vegetables	53	16 (Mostly onion powder, potato flakes, French fries)	13%	Mostly 5% 10% for processed fruit and juice during 2006-2009	Competition from China, New Zealand, Canada, and Australia	Increased consumption of fruit juice due to health awareness
Snack food excl nuts	49	1 (Mainly confectionary & potato chips)	24%	5%	Competition from China, Malaysia, Italy, Thailand, UK, Philippines, Switzerland, Australia	The development of the retail industry push the consumption of quite a lot of snack food products
Tree nuts	3	2 (Mostly Almonds)	48%	5%	Competition from Australia and China	Fast-growing bakery industry needs
Pet foods	6	2 (Mostly dog & cat food)	26%	5%	Competition from Thailand and Australia	Demand exists for niche market
Fish & Sea food	35	3 (Mostly crab, crab meat, & other seafood)	52%	5% except fish canning - 10% during 2006-2009	Competition from Japan and Norway	High-end restaurants need non-tropical seafood products

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Government of Indonesia Contacts for Food & Beverage Control				
Organization	Contact Person	Address	Phone	Fax
POM (National Agency for Drug and Food Control)	DR. Husniah Rubiana Thamrin Akib, MS., M.Kes, SpFk	Jl. Percetakan Negara 23, Jakarta Pusat, Indonesia	62-21-424-4688; 424-3605	62-21-425-0764
Ministry of Agriculture - Department of Agriculture-Directorate General of Livestock Services	Ir. Mathur Riady, MA – Director General	Central Office of Agriculture, , C Bld, 6 <sup>th</sup> Floor, Departemen, Jl. Harsono R.M. No.3, Jakarta 12550, Indonesia	62-21-781-5580	62-21-781-5581
Ministry of Agriculture – Agency for Agricultural Quarantine	Ir. Syukur Iwantoro, MS., MBA – Director General.	1 <sup>st</sup> Floor, Building E, Jl. Harsono RM. No. 3, Ragunan, Jakarta 12550	T: 62-21 781-6481, 780-5641 to 44 ext 1103	F: 62-21-781-6481/6483 <a href="mailto:syukur@deptan.go.id">syukur@deptan.go.id</a>
Indonesian Trade Association Contact List				
APRINDO (Indonesian Retail Merchants Association)	Mr. Handaka Santosa, Ketua Satria Hamid Ahmadi S. – Kep. Secr.	E-Trade Building, 3 <sup>rd</sup> Floor, Jl. Wahid Hasyim No.55. Jakarta 10350, Indonesia	62-21-315-4241; 392-8545	62-21-3192-3267 <a href="mailto:aprindo@cbn.net.id">aprindo@cbn.net.id</a>
ASIBSINDO (Indonesian Fruit & Vegetables Importers Association)	Drs. Hendrawan - Chairman	Plaza Dwima I, Lt IV Jl. Jend. A. Yani Kav 67 Jakarta Pusat	62-21-420-6544	62-21-420-6544 <a href="mailto:kahansamitra buana@yahoo.com">kahansamitra buana@yahoo.com</a>
ASPIDI (Association of Indonesian Meat Importers)	Mr. Thomas Sembiring, President	Jl. Ciputat Raya No. 351, Kebayoran Lama , Jakarta 12240	62-21-7279-3417 & 7279-3409	62-21-7279-3419 <a href="mailto:asp_1984@cbn.net.id">asp_1984@cbn.net.id</a>
Indonesian Fish Cannery Association	Hendri Sutandinata, MBA, Chairman	Jl. Cipinang Indah Raya No. 1, Jakarta 13420, Indonesia	62-21-819-6910	62-21-850-8587

Indonesian Trade Association Contact List (cont.)				
Organization	Contact Person	Address	Phone	Fax
IPS (Dairy Processor Association)	Mr. Sabana, Director & Mr. Syahlan Siregar (Secretary)	Wisma Nestle, 5 <sup>th</sup> . Arcadia Office Park, Jl. Letjen T.B. Simatupang Kav 88, Jakarta 12520	62-21-7883- 6000 ext 1501	62-21- 7883- 6001
GAPMMI (Indonesian Food & Beverage Association)	Ir. Thomas Dharmawan – Executive Director	Building F, 2 <sup>nd</sup> Floor, Room 224A Ministry of Agriculture Jl. Harsono RM No. 3 Jakarta 12550	62-21-7032- 2626/27	62-21-780- 4347 <a href="mailto:gapmmi@indosat.net.id">gapmmi@indosat.net.id</a>
Indonesian Cold Chain Association (ARPI/Assoc Rantai Pendingin Indonesia)	Ir. Hasanuddin Yasni, MM Executive Director	IBA Building, 2 <sup>nd</sup> Floor, Jl. Raya Pasar Minggu No. 2 B-C, Pancoran, Jakarta 12780	62-21-797- 2311	62-21-797- 2519 <a href="mailto:arpi@arpionline.org">arpi@arpionline.org</a> <a href="mailto:hsyasni@arpionline.org">hsyasni@arpionline.org</a>

U.S. Cooperator and MAP Participants				
Organization	Contact Person	Address	Phone	Fax
AgriSource Co., Ltd Regional representative for USA Dry Peas, Lentils & Chickpeas	Tim Welsh, Managing Director	Ambassador's Court, 4 <sup>th</sup> Floor, No. 416, 76/1 Soi Lang Suan, Ploenchit Road, Bangkok, Thailand 10330	(66-2) 251-8655 /6	(66-2) 251-0390  E-mail: <a href="mailto:agsource@loxinfo.co.th">agsource@loxinfo.co.th</a>
Lieu Marketing Assoc. Pte. Ltd Regional representative for: California Pistachio Commission, California Table Grape Commission, California Tree Fruit Agreement, Pear Bureau Northwest, Raisin Administrative Committee, United States Potato Board, Wine Institute of California,	Richard Lieu, Director	# 08-22 Block 3, Alexandra Distripark, Pasir Panjang Road, Singapore 118483	65-6278-3832	65-6278-4372  E-mail: <a href="mailto:gabaric@singnet.com.sg">gabaric@singnet.com.sg</a>

U.S. Cooperator and MAP Participants (cont.)				
Organization	Contact Person	Address	Phone	Fax
Peka Consult, Inc. Country representative for Washington Apple Commission, California Table Grape Commission, Pear Bureau Northwest, Sun-maid raisin, Sunkist Pistachious	Kafi Kurnia, Leonard Tjahjadi, Dian Mediana	Jl. Kemang Raya No. 1, Jakarta, Indonesia 12160	(62-21) 721-1358	(62-21) 721-1357  E-mail: <a href="mailto:peka@indo.net.id">peka@indo.net.id</a>
PT Swaco Prima Windutama Country representative for U.S. Grain Council and American Soybean Association	A. Ali Basry, Director	Wisma Mitra Sunter #402 Blok C-2, Blvd Mitra Sunter, Jl. Yos Sudarso Kav 89, Jakarta, Indonesia 14350	(62-21) 651-4752/53	(62-21) 6583-1087  E-mail: <a href="mailto:asagrainsat@indo.net.id">asagrainsat@indo.net.id</a>
PacRim Assoc. Ltd Regional Representative for the U.S. Dairy Export Council	Dan Fitzgerald, Director	11/14 Soi Ruam Council, Wireless Road, Bangkok 10330	(66-2) 689-6311	(66-2) 689-6314  E-mail: <a href="mailto:usdec@pacrim.co.th">usdec@pacrim.co.th</a>
U.S. Meat Export Federation	Eric Choon, Asean Director	39 Tyrwhitt Road, 3 <sup>rd</sup> Floor Suite, Singapore 207538	65-6733-4255/6	65-6732-1977  E-mail: <a href="mailto:echoon@usmef.com.sg">echoon@usmef.com.sg</a>
USA Poultry & Egg Export Council	Margaret Say Regional Director	# 15-04 Liat Towers, 541 Orchard Road, Singapore 238881	(65) 6737-1726	(65) 6737-1727  E-mail: <a href="mailto:usapeec_sing@pacific.net.sg">usapeec_sing@pacific.net.sg</a>
U.S. Wheat Associates	Mark Samson Vice President for South Asia	# 15-02 Liat Towers, 541 Orchard Road, Singapore 238881	(65) 6737-4311	(65) 6737-9359  E-mail: <a href="mailto:msamson@uswheat.org">msamson@uswheat.org</a>

U.S. Cooperator and MAP Participants (cont.)				
Organization	Contact Person	Address	Phone	Fax
American Soybean Association	John Lindblom Regional Director	#11-03 Liat Towers, 541 Orchard Rd., Singapore 238881	(65) 6737-6233	(65) 6 737-5849  E-mail: <a href="mailto:asaspore@pacific.net.sg">asaspore@pacific.net.sg</a>
U.S. Grains Council	Kimberly Rameker - Regional Director	Suite 3B-7-3A, Block 3B Level 7, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	603 2273 6826	603 2273 2052  E-mail: <a href="mailto:krameker@usgc.com.my">krameker@usgc.com.my</a>

## SECTION VI. POST CONTACT AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS) of US Embassy Jakarta maintains up-to-date information covering food and agricultural import opportunities in Indonesia and would be pleased to assist in facilitating U.S. exports and entry to the Indonesia market. Questions or comments regarding this report should be directed to the FAS Jakarta at the following local or U.S. mailing address:

Foreign Agricultural Service  
U.S. Embassy Jakarta  
Jl. Medan Merdeka Selatan # 3-5  
Jakarta 10110 - Indonesia  
Tel: +62 21 3435-9161  
Fax: +62 21 3435-9920  
e-mail: [agjakarta@usda.gov](mailto:agjakarta@usda.gov)  
Home page: <http://www.usembassyjakarta.org/fas>

Foreign Agricultural Service  
U.S. Embassy-Jakarta  
Box 1, Unit 8129  
FPO AP 96520-0001

Please contact our home page for more information on exporting U.S. food products to Indonesia and to other countries, please visit the Foreign Agricultural Service's Home Page: <http://www.fas.usda.gov>

<b>APPENDIX I. STATISTICS</b>
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**A. KEY TRADE INFORMATION FOR INDONESIA**

Item	Import from the World (million)			U.S. Market Share (%)		
	2005	2004	2003	2005	2004	2003
Agricultural Products	5,333	3,221	4,458	16	18	22
Consumer-Oriented Agr.	1,403	1,224	902	12	11	11
Fish & Seafood Products	35	87	33	7	3	4
Demographic Information: Indonesia						
Total Population (million) in 2005		219	Annual Growth Rate in 2005		1.34%	
Urban Population (million) in 2002		90	Annual Growth Rate		N/A	
Number of major Metropolitan Areas		10				
Size of the Middle Class (millions) in 2005		33	Growth Rate in 2005		N/A	
Per Capita Gross Domestic Product in 2005 (estimated)		US \$1,277				
Unemployment Rate in 2005		10.3%				
Per Capita Food Expenditures in 2005		US \$177*				
Percent of female Population Employed in 2003		51%				
*: Average per capita expenditure US \$328 (54% of those is for food); US \$1=IDR 9,750 (average in 2005)						

Exchange Rate (Rp./1US \$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	9,395	9,230	9,075	8,785	9,220	9,300	9,070	9,100	9,205	9,110	9,130	

Source: Central Bureau of Statistic (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper

**B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS**

Indonesia Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share (%)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
CONSUMER-ORIENTED AGRICULTURAL TOTAL	902	1,224	1,403	94	139	165	11	11	12
Snack Foods (Excl. Nuts)	34	54	49	0	0	1	1	1	1
Breakfast Cereals & Pancake Mix	6	7	10	1	1	1	8	9	8
Red Meats, Fresh/Chilled/Frozen	44	54	77	10	9	11	22	16	14
Red Meats, Prepared/Preserved	4	5	8	0	0	0	5	0	0
Poultry Meat	1	1	4	0	0	0	39	30	8
Dairy Products (Excl. Cheese)	269	417	508	18	45	61	7	11	12
Cheese	15	28	28	2	1	2	11	5	5
Eggs & Products	3	3	3	0	0	0	6	0	0
Fresh Fruit	185	211	212	38	37	38	20	17	18
Fresh Vegetables	70	79	100	0	0	1	0	0	1
Processed Fruit & Vegetables	42	51	53	11	18	16	26	35	30
Fruit & Vegetable Juices	4	7		1	1		7	4	
Tree Nuts	2	3	3	1	2	2	50	46	52
Wine & Beer	1	0	0	0	0	0	0	0	0
Nursery Products & Cut Flowers	1	1	2	0	0	0	0	0	0
Pet Foods (Dog & Cat Food)	4	5	6	2	1	2	39	24	34
Other Consumer-Oriented Products	219	298	328	13	25	30	6	8	9
FISH & SEAFOOD PRODUCTS	33	87	35	1	2	3	4	3	7
Salmon	1	2	3	0	0	0	0	0	0
Surimi	0	1	0	0	0	0	0	0	0
Crustaceans	12	58	10	1	2	2	7	3	17
Groundfish & Flatfish	5	6		0	0	0	0	0	0
Molluscs	4	4	3	0	0	0	0	11	0
Other Fishery Products	11	16	14	0	1	1	2	3	5
AGRICULTURAL PRODUCTS TOTAL	4,458	5,221	5,333	972	943	870	22	18	16
AGRICULTURAL, FISH & FORESTRY TOTAL	4,599	5,458	5,557	1,019	997	934	22	18	17

Source: Global Trade Atlas

### C. INDONESIA-TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

#### CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400

	2003	2004	2005
(\$1,000)			
China (Peoples Republic of)	157,156	188,849	224,271
Australia	105,292	151,660	196,258
United States	94,778	138,849	164,676
New Zealand	79,136	125,625	153,163
Thailand	74,231	102,207	103,278
Netherlands	89,083	97,261	93,209
Singapore	25,377	49,816	88,577
Philippines	62,417	76,635	72,307
Malaysia	43,321	63,407	65,874
France	14,599	23,834	27,609
Denmark	8,441	21,754	25,393
Korea, South	13,293	20,718	24,417
Canada	9,029	12,405	19,262
Germany	18,655	17,828	18,076
Ireland	8,953	12,842	13,361
Belgium	5,639	7,882	10,011
Other	92,735	112,818	103,725
World	902,135	1,224,390	1,403,467

#### FISH & SEAFOOD PRODUCTS - 700

	2003	2004	2005
(\$1,000)			
Singapore	2,306	3,583	6,501
China	3,527	35,431	3,793
Indonesia	4,014	4,484	3,760
Japan	2,569	3,681	3,668
Malaysia	4,301	5,998	3,166
United States	1,212	2,475	2,586
Thailand	2,447	6,987	1,516
Norway	1,129	1,101	1,475
Australia	944	1,791	1,048
Myanmar	771	4,341	896
Taiwan	3,473	3,044	887
India	629	5,652	792
Argentina	936	1,082	790
Phillipines	336	694	787
Korea, South	435	356	687
Vietnam	735	926	624
Other	3,340	5,774	2,427
World	33,104	87,400	35,403

Source: Global Trade Statistic

<b>APPENDIX II. CALENDAR OF ENDORSED TRADE SHOWS IN INDONESIA</b>
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Name of Event	<b>FOOD &amp; HOTEL INDONESIA 2007</b>
Event Location	Jakarta International Exhibition Center, Kemayoran, Indonesia
Industry theme	The 9 <sup>th</sup> International Hotel, Catering Equipment, Food and Drink Exhibition; The 5 <sup>rd</sup> International Retail Technology, Equipment, Display, and Storage Exhibition
Dates of Event	March 28-31, 2007
Type of Event	International Exhibition
Name of Organizer	P.T. Pamerindo Buana Abadi
Phone of Organizer	(62-21) 316-2001
Fax of Organizer	(62-21) 316-1983/4
E-mail of Organizer	<a href="mailto:wiwiek@pamerindo.com">wiwiek@pamerindo.com</a>
Web site	<a href="http://www.pamerindo.com">www.pamerindo.com</a>

Name of Event	<b>FOOD, HOTEL &amp; TOURISM BALI 2008</b>
Event Location	Bali International Convention Center, Nusa Dua - Bali, Indonesia
Industry them	The 6 <sup>th</sup> International Exhibition for Equipment, Food, Beverages and Services to Support Indonesia's Tourism and Hospitality Industries; The 6 <sup>th</sup> International Retail Technology, Equipment, Display, and Storage Exhibition
Date of Event	February 7-9, 2008
Type of Event	International Exhibition
Name of Organizer	PT Pamerindo Buana Abadi
Phone of Organizer	(62-21) 316-2001
Fax of Organizer	(62-21) 316-1983/4
E-mail of organizer	<a href="mailto:wiwiek@pamerindo.com">wiwiek@pamerindo.com</a>
Web site	<a href="http://www.pamerindo.com">www.pamerindo.com</a>